



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

Lessons Learned Record of Interview

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LL-01 Strategy and Planning				
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To gain perspective on the nature and impact of US budgeting processes on Afghanistan reconstruction strategy and implementation				
Present				
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SIGAR Attendees:				
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Key Topics:				
<ul style="list-style-type: none">• OMB and State budgeting mechanisms and prioritization for Afghanistan (2003-2014)• Decision making process involving NSC, OMB and agencies• Link between strategy, budgeting, programming, implementation and ground realities				

Role of OMB in State and USAID Afghanistan reconstruction budgeting

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State and OMB: The relationship between State and OMB is similar in that OMB acts as the check to State budgeting requests. The OMB often tackles requests without clear planning/programming and cost estimates linked to policy initiatives. Again, as with the NSC, OMB's impact is most evident when policies have to be translated into money. As an example, between 2005 and 2007, reductions in budgeting for Afghanistan were proposed in order to rationalize the unspent money from previous years. This decision by the OMB was unwelcome as policymakers argued that the political signal sent by a budget reduction at a turning point in the war effort would adversely affect overall messaging and indirectly reconstruction efforts on the ground. The articulation of goals for the purpose of budgeting and programming was largely secondary to the political implications of budgeting.

- "If we reduced the budget, we reduced commitment"
- "How much love do we show them?"

Planning and Forecasting

The OMB worked close with agencies to translate policies into program planning. A number of conflict zone specific causes made the planning process uniquely complicated.

The *volatility and uncertainty* impacting reconstruction programming in Afghanistan made it particularly difficult for agencies to plan and forecast. While the CSO at State has a theoretical model to plan and budget for reconstruction in conflict zones, in reality the planning process is extremely ad hoc - changing constantly with shifts in political and military priorities.

- "One year counternarcotics would be at the top of the agenda, another year governance and democracy. The planning and budgeting process for the year would be focused on the new priorities, meanwhile supporting all the pre-existing programming."



Lessons Learned Record of Interview

- “State forecasting ability got better over time, but every conflict is idiosyncratic in the way strategy people and budget people look at it. The political element is the wildcard.”

Good ideas mismatched with realities on the ground. The program ideas drawn up by agencies were often good but factors like poor security, staffing shortages, poor partner capacity, and need for vetting were not adequately reflected in the budgeting or timeframe for implementation. As a result, Agencies routinely ended up with gluts of funding sitting in the pipeline waiting to be spent. At one point, these gluts were so significant that OMB began considering plans to offload funds to international organizations that had the “capacity and time to spend the money”. State got better at planning through the course of the war.

- “There was an underestimation by agencies about how easy it is to spend money in a war zone.”

No longterm plan. An overarching problem that deeply impacted budgeting and planning was the absence of a longterm plan. The ongoing changes in ‘political optics’ led to the reformulation of budgeting on an annual and sub-annual basis. This budgeting flux was symbolic of the lack of clarity at the policy and planning levels. The assurance of commitment to Afghanistan in funding terms was constantly recalibrated based on political imperatives in DC, internationally and in Afghanistan. Pledges made by the US at international conferences became a proxy for signaling longterm commitment to compensate for the year on year changes in the actual budgeting, which were subject to a host of pressures. One significant pressure in the 2003 to 2010 timeframe was the draw of resources toward Iraq and away from Afghanistan.

“Intangible goals”: Programs were difficult to budget for because the aims pursued were often ‘intangible’. For example, the policy directive to increase capacity to govern was so wide ranging and open to interpretation that planning and budgeting for such initiatives was difficult. Questions as to what the policy implied in tangible terms as well as what the bar for achievement should be were left unanswered. Another example: State’s policy to strengthen MOF could range from providing advisors to building facilities or protecting employees. The lack of clarity on the tangible outcomes of policy directives often filtered into chaotic planning processes and the programs.

OMB Analysis Process

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- “OMB sits at the crossroads between policy formation, implementation and budget execution in terms of what it would cost to deliver on an objective.”
- “One year we would spend a lot of time on the ANSF. Another year we’d spend a lot of time on counternarcotics—eradication was big at the time. We were looking at aerial spraying.



Lessons Learned Record of Interview

Then by the time the money was obligated it was decided that we weren't going to do aerial spraying. Then we were dealing with the surge. The surge of civilian staff had huge budget implications so we had to wrestle with that."

The Budget Process

Budgeting for Afghanistan reconstruction is divided between the annual/base budget and emergency supplemental appropriations.

Annual/Base Budget

- Agency sends budget request to OMB around September.
- OMB discusses agency request with NSC
- OMB then sends the request back to the agency with NSC inputs around Thanksgiving. The process/document is called 'Passback'
- Between Thanksgiving and January OMB has a debate with the agency about the Passback.
- The final budget is agreed on in February and subsequently presented to Congress

Supplemental Budget

The supplemental budget is not guided by a timeframe as in the case of the annual/base budget. Supplemental budgets can be used as a tool to request streams of funding outside the base budgeting in order to maximize flexibility and increase funding approvals. They are also not as closely documented, as discussions surrounding supplemental budgeting are predominantly informal. Each administration approaches supplementals differently. For example, Supplementals during the Bush administration were frequent (one or sometimes two a year) and submitted in an ad hoc manner (no particular time during the year). In some cases, the budget items in the supplemental were well defined and formulated during the annual budget process but kept out of the annual budget and introduced after the annual budget was passed. In other cases, supplementals included budget requests that materialized between budget cycles. The Obama administration followed a more formulaic approach with supplementals, primarily including Afghanistan reconstruction requests in the OCO supplemental that was submitted alongside the annual budget.

- Re: Budget - "Every year was a debate."
- "Supplementals are a double-edged sword. The upside is that they got us what we needed to achieve policy goals. The downside is that they did not require a long term plan and supported haphazard, incoherent overall strategy."

Budget Timing and War Schedule (TBC)

Misalignment of Obligations/Disbursements with Conflict Dynamics (Seasonal shifts in fighting tempo, poppy production, troop/insurgent mobility)

There seemed to be a misalignment with the US fiscal year funding cycle and the tempo of the conflict and poppy growing season. Absorption capacity was a significant challenge in Afghanistan. Absorption capacity challenges were additionally exacerbated by the iterative nature of program development. If objectives shifted in Washington, a program or effort might stall or need recalibration even as money



Lessons Learned Record of Interview

starts to accumulate in the pipeline. Lags in disbursement sometimes might stem from the differing obligation/disbursement processes for State vs. DOD.

Obligations

State and DOD have different requirements for obligation and disbursement of appropriations, which impacts program planning. State can obligate funds based on an agreement with a foreign country. The agreement can be relatively informal and non-specific. On the other hand, DOD is required to obligate funds based on downrange contracts with implementers. Under these guidelines, State is able to obligate funds relatively easily. However, these funds can remain obligated but not disbursed for long periods of time, allowing State to work off of old obligated money sitting in their accounts, allowing a bit more flexibility from the budgeting schedule and requirements. State budgeting reflects this trend with large obligations and small disbursements. The current system however also produces disincentives to obligate and disburse funds without sound programming plans but based on political optics.

- "There are some instances where we just didn't know how to spend the money so we would spend on large infrastructure projects to show we were still committed."
- "Spending money with foreign governments is a difficult thing. Money is obligated but is not money on the ground until there's an agreement between with the government in country."

Key Timeframes over the past 14 years – A Budgeting Perspective

- Between 2003 and 2006 Afghanistan became a 'maintenance issue'. In 2007, the administration realized Afghanistan was falling backward and something needed to be done
- The 2006-2009 timeframe stands out because of the shift of focus back on Afghanistan which was under-resourced in the 2003-2006 period because of the Iraq war. The Doug Lute Af-Pak strategic review was an important turning point, signaling the reemergence of an Afghanistan focus.
- Consider the 2010-2014 timeframe separately from the 2001-2009 to reflect the difference in the Bush and Obama administration budgeting strategies

Case Study suggestions to understand role of budgeting in planning and implementation

- Counternarcotics program a good example because of the constant presence on the agenda yet frequent reprioritization within the overall Afghanistan strategy. Also a classic case of impact of budgeting on the ground. For example, by the time the money appropriated for aerial spraying hit the ground the program was out of favor.
- Look at intangible policy initiatives such as governance and democracy. Useful to understand the difficulties in budgeting for policies that are poorly defined and open to interpretation.
- Examine the relation to the Afghanistan Reconstruction Fund.

Follow Up/Potential Sources

- (b)(3), (b)(6), (b)(7)(C)
- [REDACTED]